GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:2684
ANSWERED ON:31.08.2007
PER UNIT COST OF THERMAL POWER GENERATION
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Will the Minister of POWER be pleased to state:

(a) whether per unit cost of Thermal power generation is much higher than the per unit cost of power generation from other sources of power in the country;

(b) if so, the details thereof along with the reasons therefor; and

(c) the efforts being made by the Government to bring down the per unit cost of Thermal power generation?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) & (b) : The unit cost of power generation varies from station to station and depends mainly on the type of plant and the fuel used, and the plants location, size, age and efficiency. Owing to higher capital costs as compared to thermal power plants, the cost of generation from hydro power plants is generally higher in the initial years and becomes significantly lower towards the later years mainly on account of nil cost on fuel. The details (according to information made available by the Central Electricity Regulatory Commission) of the tariff of some of the thermal (coal, lignite and gas / liquid fuel) and hydro power stations, and details in respect of nuclear power stations (according to information made available by the Central Electricity Authority) are at Annex-I, Annex-II and Annex-III respectively.

(c) : A number of steps have been taken for reducing the cost of power generation which include the following:-

The Electricity Act, 2003 creates a competitive framework for generation which should exert a downward pressure on costs.

The National Electricity Policy lays maximum emphasis on full development of feasible hydro potential. The cost of power generation from hydro projects reduces significantly in the long term.

In respect of thermal power, the policy states that the economics of generation and supply of electricity should be the basis for choice of fuel from among the options available.

The Tariff Policy, which was notified on 06.01.2006, provides that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer. For Public Sector projects also, the tariff of all new generation and transmission projects is to be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.

Captive coal mining for thermal projects is being encouraged with the object of inter alia, lowering the cost of fuel for coal fired stations.

The operational efficiency of poorly performing thermal power stations has improved by Renovation and Modernization programme.

The terms and conditions of tariff issued by the Central Electricity Regulatory Commission (CERC) for the period 2004-09 have improved the operational norms.

The Mega Power Policy provides for zero customs duty for import of capital equipment and deemed export benefits for domestic suppliers for generation projects fulfilling eligibility conditions of this policy.

The Government has also earlier reduced the customs duty on Naphtha and Natural Gas for power projects and the custom duty on coal.